EXHIBIT K

January 19, 2023

Thomas Giel
Central Point of Contact
Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, CA 94105

Re: Request for Approval of Certain Payments

Dear Mr. Giel:

We are writing to follow up on our initial request letter dated December 23, 2022, with updated financial information to reflect the December 31, 2022, financial close and updated financial projections for 2023.

As instructed in the Memorandum of Understanding ("MOU") dated November 23, 2022, (Section 5 Capital Conservation), Silvergate Capital Corporation ("SCC" – the holding company for Silvergate Bank – "Bank") must request written approval from the Federal Reserve Bank of San Francisco ("FRBSF") for SCC to make certain cash payments associated with SCC capital instruments in the first quarter of 2023, specifically:

1. Interest payment of $469,461.64 to Silvergate Capital Trust I ("SCT I") due on January 25, 2023, for SCC's junior subordinated debentures to facilitate interest payment due same date on SCT I Trust Preferred Securities.

2. Dividend payment of $2,688,000 on February 15, 2023, on SCC's 5.375% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 per share.

3. Interest payment of $51,181.43 to Silvergate Capital Trust II ("SCT II") due on March 15, 2023, for SCC's junior subordinated debentures to facilitate interest payment due same date on SCT II Trust Preferred Securities.

With the payment date for SCT I on January 25, and operational aspects such as declaration date and record date for SCC 5.375% Series A needing to be identified ahead of payment date on February 15, 2023, we respectfully request a response by January 23, 2023.

We are submitting this request to address any potentially applicable restrictions on such payments under the terms of the MOU and Federal Reserve Letter SR 09-4. While the payments arguably might not be permitted under the terms of these two documents, we believe there are sound reasons for the FRBSF to approve each of them.

Since our 2023 business plan projects strong capital positions for SCC and the Bank, we believe that a prohibition of any of these payments would unduly, and perhaps irreparably, damage our going concern status in the eyes of key direct counterparties such as investors which could impair future capital raises and customers which could impair business performance and earnings both which we will need to deal to stabilize and regrow our business and restore it to sustainable profitability.

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Silvergate

Silvergate has carefully assessed our ability to make the requested dividend and interest payments on capital instruments under the MOU and SR 09-4. We acknowledge our net income in Q4:2022 is out of compliance with SR 09-4 Attachment C Criteria #1. However, as we demonstrate, our strong capital position and sufficient source of funds and capital at SCC combined with core operating earnings that exceed dividend and interest payments clearly demonstrate the capacity to make the dividend and interest payments we have requested while maintaining well capitalized status at both SCC and the Bank

Our objective in this request letter is to submit a written request for all payments on capital instruments in the first quarter of 2023. We are sharing actual financial results (unaudited) from our completed financial close process for the quarter and year ended December 31, 2022, and financial projections for 2023. Importantly, SCC has an adequate cash position of $47.2 million at 12/31/22 and SCC is not reliant on SGB dividends as a source of liquidity in 2023 and payment of proposed dividends will not expose SCC to undue liquidity risk. Furthermore, despite realizing a loss in Q4:2022 due to balance sheet restructuring, Silvergate remains well-capitalized for leverage and risk-based capital. Specifically, at December 31, 2022, SCC Tier 1 Leverage ratio was 5.36% and SGB Tier 1 Leverage ratio was 5.12%

In the MOU dated November 23, 2022, Section 5 Capital Conservation, there were specific questions required to be addressed in any request for distributions. Below, specific questions are answered:

- The purpose of this request letter is to pay a scheduled dividend on SCC Series A Preferred Stock and scheduled interest payments to SCT I and SCT II, as described in paragraph one of this letter.

- The source of funds for the proposed dividend and interest payments is cash held at SCC and SCC Capital. At December 31, 2022, SCC cash position was $47.2 million. As shown in Attachment 1, SCC has sufficient cash to cover requested dividends. At December 31, 2022 SCC Common Equity Tier 1 was 42.48% and SCC Tier 1 Leverage Ratio was 5.36%. As shown in Attachment 2, capital ratios for both SCC and SGB are projected to bottom as of December 31, 2022, and then increase in 2023. The proposed aggregate dividend and interest payments of ~$3.2M will be a modest reduction of the cash and capital position of SCC.

- Fourth quarter 2022 consolidated earnings for SCC are ($1.050) billion. During the fourth quarter of 2022, earnings excluding extraordinary items (“adjusted net income available to common shareholders” or “operating earnings”) at SCC are $15.1M. Adjusted net income available to common shareholders removes the impact of all securities and derivative gains/losses, the restructuring charge for mortgage warehouse, the write-down to zero of the intangible asset, and applies a normalized tax rate to derive net income available to common shareholders on an adjusted basis.

- The proposed dividend and interest payments (total of ~$3.2M) are covered by SCC operating earnings during the fourth quarter of 2022 of $15.1M. Due to losses from security sales under Silvergate’s asset disposition strategy, SCC dividend policy requires FRBSF approval. The SCC Board of Directors believes given the capital and liquidity position of SCC and path to profitability in 2023, it is prudent to declare dividends and make interest payments on capital instruments. The proposed dividend and interest payments require regulatory approval under the terms of the MOU.

Based on the attached projections, we expect capital ratios will increase for both SCC and the Bank. Specifically, in 2023 we expect SCC Tier 1 leverage ratio to be increasing within a range of 8.93% and 10.81%, and Bank Tier 1 leverage ratio to be increasing within a range of 8.47% and 10.40%. Both ratios are above regulatory minimums and above proposed internal risk tolerances.

Sincerely,

Antonio Martino
Chief Financial Officer

CC
California Department of FP&I – Keith Johnson, Senior Financial Institutions Examiner
Alan Lane, Chief Executive Officer
Kate Fraher, Chief Risk Officer
John Bonino, Chief Legal Officer

Attachments
Attachment 1: Holding Company 2023 Cash Flows
Attachment 2: Summary Capital Ratios – SCC & SGB
Attachment 3: Silvergate SCC 4Q22 Income Statement
Attachment 4: Silvergate SCC 4Q22 and 2023 Balance Sheet
Attachment 5: Silvergate SCC 4Q22 and 2023 Income Statement
Attachment 6: Silvergate SGB 4Q22 and 2023 Balance Sheet
Attachment 7: Silvergate SGB 4Q22 and 2023 Income Statement
Attachment 8: SCC Capital Instruments
Attachment 9: Silvergate SR09-4 Compliance

Attachment 1: SCC Monthly Cash Flow Forecast

As of January 19, 2023 Projection

	**Forecasted Jan-23	**Forecasted Feb-23	**Forecasted Mar-23	**Forecasted Apr-23	**Forecasted May-23	**Forecasted Jun-23	**Forecasted Jul-23	**Forecasted Aug-23	**Forecasted Sep-23	**Forecasted Oct-23	**Forecasted Nov-23	**Forecasted Dec-23	**Forecasted 2023 YTD
Beginning Cash Position	46,085,807	42,143,716	37,965,716	35,924,535	34,434,535	30,256,535	28,215,353	26,255,892	22,077,892	20,036,710	18,546,710	14,368,710	
Operating Expenses	(3,472,629)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)	(19,862,629)
Payments from Capital													
Pref. Dividends paid		(2,688,000)			(2,688,000)			(2,688,000)			(2,688,000)		(10,752,000)
EJF Investment - Capital Calls			(500,000)			(500,000)			(500,000)			(500,000)	(2,000,000)
Trust Preferred Debt	(469,462)		(51,181)			(51,181)	(469,462)		(51,181)			(51,181)	(1,143,649)
Cash & cash equivalents, end of period	**42,143,716**	**37,965,716**	**35,924,535**	**34,434,535**	**30,256,535**	**28,215,353**	**26,255,892**	**22,077,892**	**20,036,710**	**18,546,710**	**14,368,710**	**12,327,529**	**(33,758,278)**

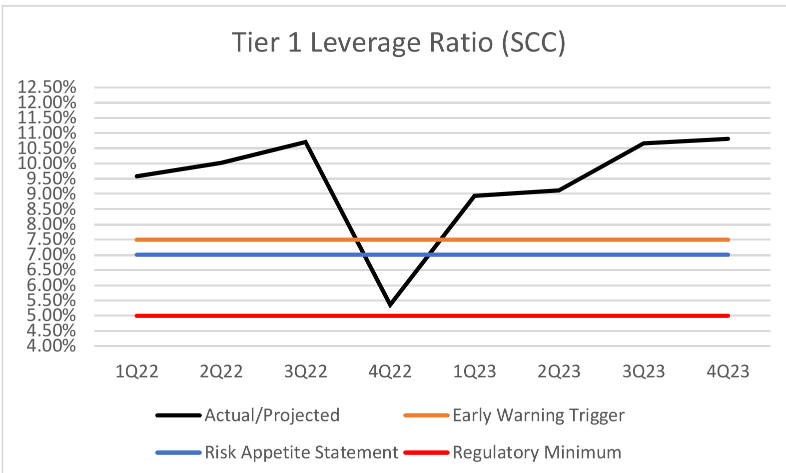
Silvergate has ample cash at SCC to cover current and prospective dividends without exposing SCC to undue liquidity risk

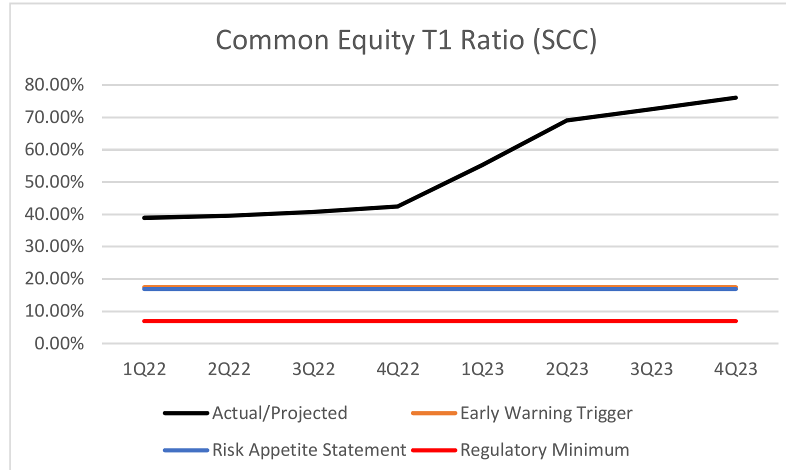
Note: Operating expenses reflect the current actual run-rate observed in the 2nd half of 2022. Further expense actions are expected to be undertaken (and some actions implemented) in order to reduced operating expenses further during 2023.

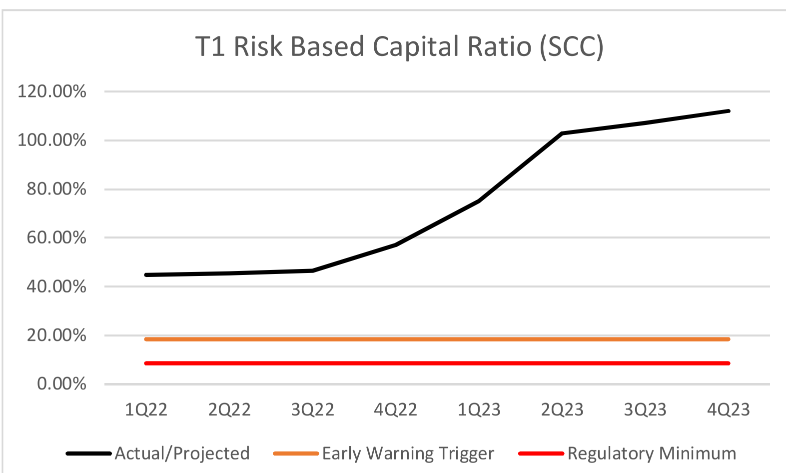
Attachment 2: Summary SCC Capital Ratios

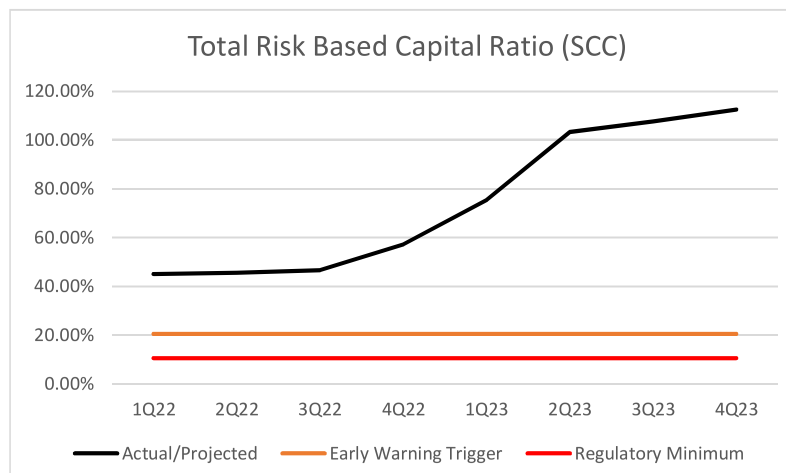
Projected vs Proposed (but not adopted) RAS and EWT

As of January 19, 2023 Projection





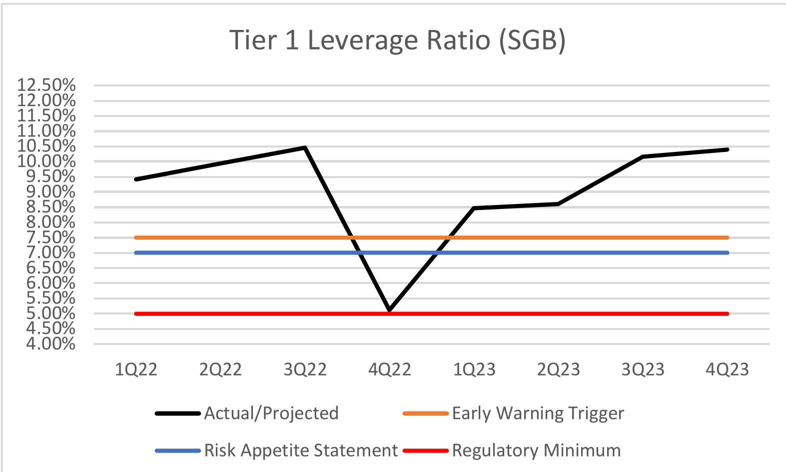


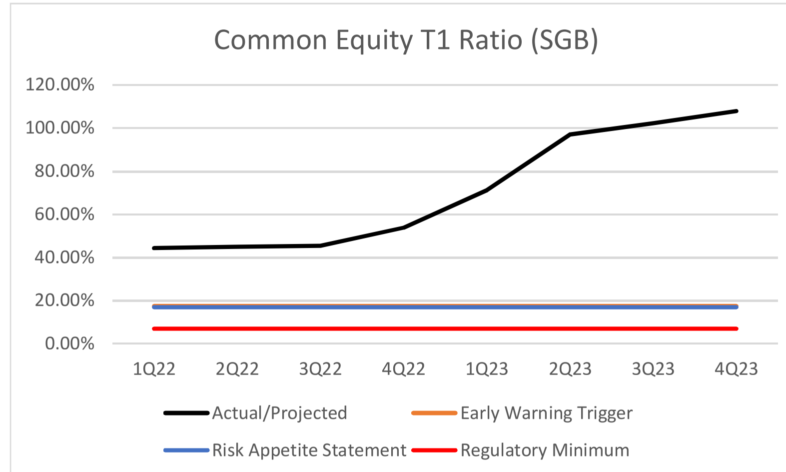


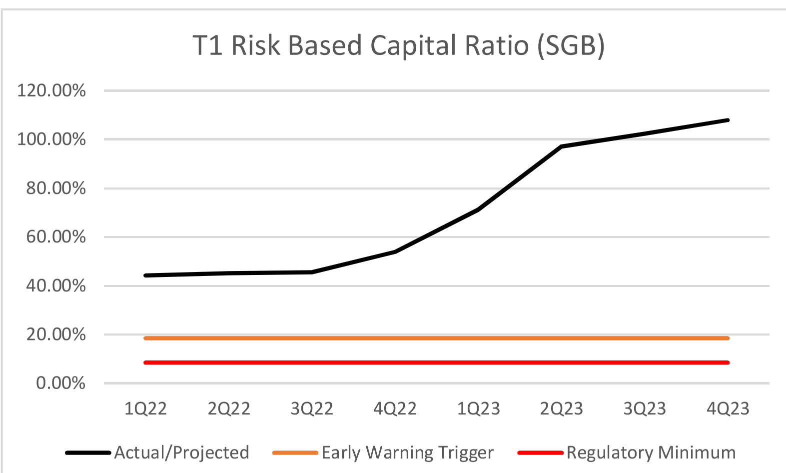
Attachment 2: Summary SGB Capital Ratios

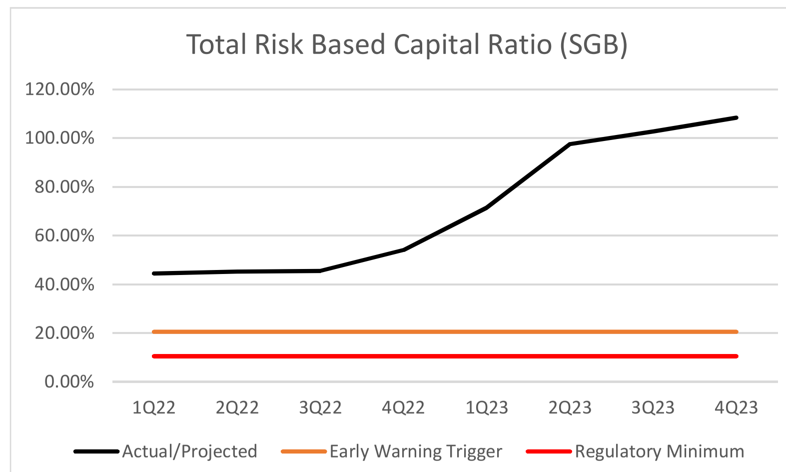
Projected vs Proposed (but not adopted) RAS and EWT

As of January 18, 2023 Projection









Attachment 3: SCC – 4Q2022 Income Statement

As of January 19, 2023

	Income Statement ($ millions)	Actual Oct-22	Actual Nov-22	Actual Dec-22	Actual 4Q22
1	Interest Income	36.2	43.7	34.3	114.1
2	Interest Expense	6.2	26.5	27.7	60.4
3	**Net Interest Income**	**30.0**	**17.1**	**6.6**	**53.7**
4	Provision For Loan Losses	-	0.0	(0.5)	(0.5)
5	Total Fee Income	2.7	(102.8)	(787.2)	(887.3)
6	Total Non-Interest Expense	11.7	17.6	209.2	238.5
7	**Pretax Earnings**	**21.0**	**(103.4)**	**(989.2)**	**(1,071.6)**
8	Total Income Taxes	5.0	(29.9)	0.5	(24.3)
9	**Net Income**	**15.9**	**(73.5)**	**(989.7)**	**(1,047.2)**
10	Preferred Dividends	2.7	-	-	2.7
11	**Net Earnings Available to Common**	**$ 13.2**	**($73.5)**	**($989.7)**	**($1,049.9)**
12	Effective Tax Rate %	24%	29%	0%	2%
13	MEMO: Operating Profit	13.6	3.0	(1.5)	15.1
14	MEMO: Operating Tax Rate	22%	22%	22%	22%
15	EPS Per Diluted Share ($)	0.42	(2.32)	(31.26)	(33.16)
16	Diluted Shares	31.8	31.7	31.7	31.7
17	ROACE	13.72%	-80.19%	-1444.02%	-409.02%
18	Headcount	467	484	479	479
19	NIM %	2.44%	1.37%	0.65%	1.54%

Commentary:

1. Digital Asset Deposits decrease from $11.9B at 9/30 to $3.8B at 12/31, impacting interest expense due to significantly increased borrowings.
2. Fee income includes net losses $895M on sale of securities and related derivatives
3. Non-interest expense in November includes $3.7M provision related to exit of Warehouse business.
4. Non-interest expense in December includes $196.2M write down of intangible asset (to a carrying value of $0M).
5. Income tax benefit of $24.3M in 4Q22 was driven primarily by the loss recognized during the quarter and the resulting reversal of prior period income tax expense incurred during the first three quarters of the year, partially offset by a charge from the transition to a 100% valuation allowance on deferred tax assets. The deferred tax asset balance associated with net operating losses is $342M and a 100% valuation allowance has been applied against this balance. The deferred asset balance will carry forward indefinitely and can be utilized against 80% of future taxable income for federal tax purposes.

Attachment 4: SCC – 2022 and 2023 Balance Sheet

As of January 19, 2023 Projection

	Balance Sheet	Actual				Projection				23/22	
	($s millions)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	$	%
1	FRB Cash	1,157	1,447	1,392	4,006	3,328	3,025	3,025	3,025	(981)	-24%
2	Other Cash	228	447	494	568	38	38	38	38	(531)	-93%
3	Securities	12,277	11,881	11,482	5,902	4,038	2,382	2,381	2,381	(3,521)	-60%
4	Loans	1,676	1,467	1,392	590	401	371	366	361	(229)	-39%
5	Other Assets	703	659	706	289	226	168	154	142	(147)	-51%
6	**Total Assets**	**16,042**	**15,900**	**15,467**	**11,356**	**8,032**	**5,983**	**5,964**	**5,947**	**(5,409)**	**-48%**
7	Fintech Deposits	13,195	13,304	11,869	3,830	3,000	3,000	3,000	3,000	(830)	-22%
8	Other Deposits	201	196	186	34	32	31	29	28	(6)	-18%
9	Brokered CDs	0	0	1,184	2,432	1,429	919	598	-	(2,432)	-100%
10	FHLB/FRB	800	800	700	4,300	1,957	1,376	1,456	1,448	(2,852)	-66%
11	Repo	-	-	-	-	868	(0)	207	783	783	0%
12	Long Term Borrowings	16	16	16	16	16	16	16	16	-	0%
13	Other Liabilities	283	161	182	140	140	140	140	140	-	0%
14	Total Liabilities	14,495	14,477	14,136	10,752	7,442	5,481	5,446	5,415	(5,338)	**-50%**
15	Total Equity	1,546	1,423	1,331	603	589	502	518	532	(71)	**-12%**
16	**Total Liabilities + Equity**	**16,042**	**15,900**	**15,467**	**11,356**	**8,032**	**5,983**	**5,964**	**5,947**	**(5,409)**	**-48%**
17	Tier 1 Leverage Ratio (SCC)	9.58%	10.02%	10.71%	5.36%	8.93%	9.12%	10.66%	10.81%		
18	Tier 1 Leverage Ratio (SCC) - Spot	9.95%	10.20%	10.69%	7.13%	9.72%	10.50%	10.68%	10.83%		

Notes / Considerations / Assumptions:

1. Digital Asset Deposits assumed to decrease to $3B in 2023. Cash maintained in excess of customer deposits throughout 2023.
2. Assumes sales of investment securities in 1Q23 and 2Q23 to reduce wholesale funding levels. Securities sales in 1Q23 are skewed toward remaining fixed rate securities and have occurred to a large extent immediately following year end, and the capital impact on sale is mostly captured within the Other-Than-Temporary-Impairment (OTTI) charge taken in 4Q22. The securities sales in 2Q23 are primarily variable rate securities and accompanying derivates and we have used a conservative assumption that there is an incremental capital loss beyond the mark-to-market established at year end.
3. Commercial repo line utilized as an additional source of wholesale funding to partially offset FHLB and Brokered CD funding.

Attachment 5: SCC 2022 and 2023 Income Statement

As of January 19, 2023 Projection

	Income Statement	Actual					Projection					23/22	
	($ millions)	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	$	%
1	Interest Income	50.8	71.6	90.8	114.1	327.3	87.3	72.5	62.1	62.6	284.6	(42.8)	-13%
2	Interest Expense	0.3	1.0	9.9	60.4	71.7	57.6	38.5	27.3	29.3	152.8	81.1	113%
3	**Net Interest Income**	**50.5**	**70.5**	**80.9**	**53.7**	**255.6**	**29.6**	**34.0**	**34.8**	**33.3**	**131.8**	**(123.9)**	**-48%**
4	Provision For Loan Losses	(2.5)	-		(0.5)	(3.6)	-	-	-	-	-	3.6	-100%
5	Total Fee Income	9.5	9.2	8.5	(887.3)	(860.1)	(13.3)	(153.8)	2.0	2.0	(163.1)	697.1	-81%
6	Total Non-Interest Expense	28.0	30.6	33.2	238.5	330.2	39.8	32.6	25.4	25.4	123.3	(206.9)	-63%
7	**Pretax Earnings**	**34.4**	**49.2**	**56.8**	**(1,071.6)**	**(931.2)**	**(23.5)**	**(152.4)**	**11.4**	**9.9**	**(154.6)**	**776.6**	**-83%**
8	Total Income Taxes	7.0	10.6	13.5	(24.3)	6.7	-	-	-	-	-	(6.7)	-100%
9	**Net Income**	**27.4**	**38.6**	**43.3**	**(1,047.2)**	**(937.9)**	**(23.5)**	**(152.4)**	**11.4**	**9.9**	**(154.6)**	**783.3**	**-84%**
10	Preferred Dividends	2.7	2.7	2.7	2.7	10.8	2.7	2.7	2.7	2.7	10.8	-	0%
11	**Net Earnings Available to Common**	**$ 24.7**	**$ 35.9**	**$ 40.6**	**($1,049.9)**	**($948.7)**	**($26.2)**	**($155.1)**	**$ 8.7**	**$ 7.2**	**($165.4)**	**$ 783.3**	**-83%**
12	Effective Tax Rate %	20%	22%	24%	2%	-0.72%	0%	0%	0%	0%	0%		
13	MEMO: Operating Profit	24.1	35.6	41.6	15.1	116.4	(2.7)	2.7	5.5	4.4	9.9	(106.5)	-91%
14	MEMO: Operating Tax Rate	22%	22%	22%	22%	22%	28%	28%	28%	28%	28%		
15	EPS Per Diluted Share ($)	0.79	1.13	1.28	(33.16)	(29.96)	(0.83)	(4.90)	0.28	0.23	(5.22)	24.74	-83%
16	Diluted Shares	31.4	31.8	31.8	31.7	31.7	31.7	31.7	31.7	31.7	31.7	(0.0)	0%
17	ROACE	6.87%	10.99%	12.99%	-409.02%	-75.54%	-26.91%	-176.56%	10.97%	8.62%	-47.50%		
18	Headcount	308	364	439	479	479	309	309	250	250	250	(229)	-48%
19	NIM % (Tax-Effected)	1.27%	1.85%	2.21%	1.54%	1.71%	1.44%	2.04%	2.39%	2.28%	1.98%		

Notes / Considerations / Assumptions:

1. Interest income assumes interest rates to be flat throughout 2023. Every $1B change in zero cost deposits will have an ~ $11M/quarter impact on interest income.
2. Fee income includes $15.4M and $155.8M in losses on sale of securities and related derivatives within 1Q23 and 2Q23, respectively. In 1Q23 we have realized $6.5M in losses on $1.5B of securities sold quarter to date, as securities have sold relatively close to the OTTI charge booked in 4Q22. Losses in 2Q23 have been assumed to occur at levels below the MTM established at 12/31/22, however, as noted previously, the sales in 2Q23 are primarily from remaining variable rate securities.
3. Non-interest expense reflects the impact of the reduction in force announced on January 4 along incremental expense actions expected to be undertaken in order to generate operating profit in 3Q23 and 4Q23. Restructuring charge of $8.1M assumed in 1Q23 and $4.0M in 2Q23.
4. Income tax expense in 2023 expected to be NIL as realized tax losses (from securities sales) will offset operating income generated. Operating profit memo line 13 is lower than actual profit on line 11 as an income tax expense is applied for the purposes of normalization. On a cash basis, income tax expense expected to be NIL.

Attachment 6: SGB – 2022 and 2023 Balance Sheet

As of January 19, 2023 Projection

	Balance Sheet	Actual				Projection				23/22	
	($s millions)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	$	%
1	FRB Cash	1,157	1,447	1,392	4,006	3,333	3,033	3,037	3,041	(966)	-24%
2	Other Cash	228	447	494	568	38	38	38	38	(531)	-93%
3	Securities	12,277	11,879	11,481	5,899	4,035	2,378	2,377	2,377	(3,522)	-60%
4	Loans	1,676	1,467	1,392	590	401	371	366	361	(229)	-39%
5	Other Assets	512	466	509	289	227	168	154	142	(147)	-51%
6	**Total Assets**	**15,850**	**15,706**	**15,269**	**11,353**	**8,033**	**5,988**	**5,972**	**5,959**	**(5,395)**	**-48%**
7	Fintech Deposits	13,195	13,304	11,869	3,830	3,000	3,000	3,000	3,000	(830)	-22%
8	Other Deposits	222	208	225	81	77	74	70	66	(15)	-18%
9	Brokered CDs	0	0	1,184	2,432	1,429	919	598	-	(2,432)	-100%
10	FHLB/FRB	800	800	700	4,300	1,957	1,376	1,456	1,448	(2,852)	-66%
11	Repo	-	-	-	-	868	(0)	207	783	783	0%
12	Long Term Borrowings	-	-	-	-	-	-	-	-	-	0%
13	Other Liabilities	282	159	180	138	138	138	138	138	-	0%
14	Total Liabilities	14,499	14,472	14,158	10,782	7,469	5,506	5,468	5,435	(5,346)	**-50%**
15	Total Equity	1,351	1,234	1,112	572	563	482	504	523	(48)	**-8%**
16	**Total Liabilities + Equity**	**15,850**	**15,706**	**15,269**	**11,353**	**8,033**	**5,988**	**5,972**	**5,959**	**(5,395)**	**-48%**
17	Tier 1 Leverage Ratio (SGB)	9.42%	9.94%	10.45%	5.12%	8.47%	8.60%	10.16%	10.40%		
18	Tier 1 Leverage Ratio (SGB) - Spot	9.82%	10.12%	10.43%	6.72%	9.21%	9.91%	10.17%	10.41%		
19	TCE / Total Assets (SGB)	8.53%	7.86%	7.28%	5.04%	7.01%	8.05%	8.43%	8.78%		
20	**Remaining B/S Capacity**										
21	7.50% T1 Leverage Ratio (QTD Avg)	4,286	5,305	6,141	(4,780)	1,145	1,029	2,150	2,337		
22	7.50% T1 Leverage Ratio (Spot)	4,964	5,589	6,115	(1,185)	1,862	1,948	2,158	2,344		
23	FHLB as % of Total Assets	5%	5%	5%	38%	24%	23%	24%	24%		
24	Wholesale as % of Total Assets	5%	5%	12%	59%	53%	38%	38%	37%		
25	Non-Core Funding Ratio	6%	6%	13%	62%	57%	42%	41%	41%		
26	Securities (excl. Stock) as % of Assets	77%	75%	75%	50%	48%	38%	38%	38%		

Notes / Considerations / Assumptions:

1. Digital Asset Deposits assumed to decrease to $3B in 2023. Cash maintained in excess of customer deposits throughout 2023.
2. Assumes sales of investment securities in 1Q23 and 2Q23 to reduce wholesale funding levels. Securities sales in 1Q23 are skewed toward remaining fixed rate securities and have occurred to a large extent immediately following year end, and the capital impact on sale is mostly captured within the Other-Than-Temporary-Impairment (OTTI) charge taken in 4Q22. The securities sales in 2Q23 are primarily variable rate securities and accompanying derivates and we have used a conservative assumption that there is an incremental capital loss beyond the mark-to-market established at year end.
3. Commercial repo line utilized as an additional source of wholesale funding to partially offset FHLB and Brokered CD funding.
4. Non-Core Funding Ratio is sum of brokered CD's and FHLB/FRB/Repo borrowings divided by Total Liabilities.

Attachment 7: SGB 2022 and 2023 Income Statement

As of January 19, 2023 Projection

	Income Statement	Actual					Projection					23/22	
	($ millions)	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	$	%
1	Interest Income	50.8	71.6	90.8	114.1	327.3	87.3	72.6	62.2	62.8	284.9	(42.4)	-13%
2	Interest Expense	0.1	0.8	9.6	60.2	70.7	57.2	38.1	26.9	29.0	151.2	80.5	114%
3	**Net Interest Income**	**50.7**	**70.8**	**81.1**	**54.0**	**256.6**	**30.1**	**34.5**	**35.3**	**33.8**	**133.7**	**(122.9)**	**-48%**
4	Provision For Loan Losses	(2.5)	-	(0.6)	(0.5)	(3.6)	-	-	-	-	-	3.6	-100%
5	Total Fee Income	9.5	9.2	8.5	(887.4)	(860.2)	(13.3)	(153.8)	2.0	2.0	(163.1)	697.1	-81%
6	Total Non-Interest Expense	25.6	26.2	31.0	39.9	122.8	37.2	30.0	22.8	22.9	112.9	(9.8)	-8%
7	**Pretax Earnings**	**37.0**	**53.8**	**59.2**	**(872.8)**	**(722.8)**	**(20.5)**	**(149.3)**	**14.5**	**13.0**	**(142.3)**	**580.4**	**-80%**
8	Total Income Taxes	7.3	11.4	14.3	(26.2)	6.7	-	-	-	-	-	(6.7)	-100%
9	**Net Income**	**29.8**	**42.4**	**44.9**	**(846.6)**	**(729.5)**	**(20.5)**	**(149.3)**	**14.5**	**13.0**	**(142.3)**	**587.1**	**-80%**
10	Effective Tax Rate %	20%	21%	24%	3%	-0.92%	0%	0%	0%	0%	0%		
11	MEMO: Operating Profit	28.8	41.9	46.1	19.8	136.6	2.1	7.6	10.4	9.4	29.5	(107.2)	-78%
12	MEMO: Operating Tax Rate	22%	22%	22%	22%	22%	28%	28%	28%	28%	28%		
13	ROACE	8.06%	12.96%	14.34%	-339.72%	-57.93%	-14.84%	-114.33%	11.67%	10.04%	-27.23%		
14	Headcount	308	364	439	479	479	309	309	250	250	250	(229)	-48%
15	NIM % (Tax-Effected)	1.28%	1.86%	2.21%	1.55%	1.72%	1.46%	2.07%	2.42%	2.32%	2.01%		

Notes / Considerations / Assumptions:

1. Interest income assumes interest rates to be flat throughout 2023. Every $1B decrease in zero cost deposits will have an ~ $11M/quarter impact on interest income.
2. Fee income includes $15.4M and $155.8M in losses on sale of securities and related derivatives within 1Q23 and 2Q23, respectively. In 1Q23 we have realized $6.5M in losses on $1.5B of securities sold quarter to date, as securities have sold relatively close to the OTTI charge booked in 4Q22. Losses in 2Q23 have been assumed to occur at levels below the MTM established at 12/31/22, however, as noted previously, the sales in 2Q23 are primarily from remaining variable rate securities.
3. Non-interest expense reflects the impact of the reduction in force announced on January 4 along incremental expense actions expected to be undertaken in order to generate operating profit in 3Q23 and 4Q23. Restructuring charge of $8.1M assumed in 1Q23 and $4.0M in 2Q23.
4. Income tax expense in 2023 expected to be NIL as realized tax losses (from securities sales) will offset operating income generated. Operating profit memo line 11 is lower than actual profit on line 9 as an income tax expense is applied for the purposes of normalization. On a cash basis, income tax expense expected to be NIL.

Attachment 8 – SCC Capital Instruments

MOU5 – Capital Conservation. "The Company and the Bank shall not declare or pay dividends, engage in share repurchases, or make any other capital distribution in respect of common shares, preferred shares, or other capital instruments, without the prior written approval of the Department and the Reserve Bank. All requests for prior approval shall be received in writing at least thirty (30) days prior to the earlier of the proposed declaration, payment, or distribution date"

	Capital Instrument	Issuing Entity	Description	Payment Dates	Next Payment	Next Payment Submission to FRB (30-day)
1	Series A Trust Preferred	SCC	• $200M • Issued July 2021(Issued Aug 2021) • 5.375% fixed • Callable August 15, 2026	• February 15 • May 15 • August 15 • November 15	• February 15, 2023	• January 15, 2022
2	Silvergate Capital Trust I	SCC	• $12.5M • Issued July 2001. Matures July 25, 2031 • 6mo L +375 • Issued as subordinated debentures • Callable at any time	• January 25 • July 25	• January 25, 2023	December 25, 2022
3	Silvergate Capital Trust II	SCC	• $3.0M • Issued January 2005, matures March 15, 2035 • 3mL +185 • Issued as subordinate debentures • Callable at any time	• March 15 • June 15 • September 15 • December 15	• December 15, 2022	• Occurred B4 MOU issued

Attachment 9: SR09-4 “Main letter” Compliance Analysis

	SR09-4 Main letter	Compliance	Comments
1	Banking organizations are generally expected to operate with capital positions well above the minimum ratios, with the amount of capital held by a banking organization corresponding to its broad risk exposure.	Pass	Historically, capital ratios have been well above policy and regulatory minimums. In 4Q:2022, the Bank incurred losses through disposition of assets to manage its liquidity, resulting in a decline of capital ratios but still above regulatory minimums. Holding Co and Bank capital ratios are expected to remain above regulatory required minimums throughout 2023.
2	An organization’s internal process for assessing capital adequacy should reflect a full understanding of its risks and ensure that it holds capital corresponding to those risks to maintain overall capital adequacy.	Pass	Management has undertaken a plan to shrink the balance sheet and the forward projections demonstrate capital adequacy.
3	The Board’s risk-based capital rules state that voting common stockholders' equity, which is the most desirable capital element from a supervisory standpoint, generally should be the dominant element within tier 1 capital, and that banking organizations should avoid overreliance on non-common-equity capital elements.	Pass	As of 12/31/2022, common shares make up 224% of total Common Equity Tier 1.

Attachment 9: SR09-4 “Attachment A” Compliance Analysis

	SR09-4 Attachment A	Compliance	Comments
1	Determine if the existing capital level is adequate for the BHC's risk profile when considering the following items: ○ The level and trend of adversely classified assets; ○ The adequacy of the allowance for loan and lease losses; ○ The volume of charged off loans and recoveries; ○ The balance sheet structure and liquidity needs; ○ The level and type of concentrations; ○ Compliance with state and federal capital requirements; and ○ Composition of elements of capital.	Pass	• Management demonstrates strong historical underwriting methods by exhibiting low NPA assets to total assets ratio of an avg 0.03% in 2022 (through Nov 2022) and an avg of 0.05% in full year 2021. • The Bank is currently in a stressed liquidity position and is working closely with the FRB and FHLB to resolve the liquidity event. The Bank has met regulatory requirements stemming from the liquidity event. Through its actions, Silvergate has shown the ability to maintain adequate liquidity and capital levels through the sale of more than $6.6B of bonds (market value), absorbing ~$897M of realized losses from the bond sales, while able to maintain a 1:1 cash to fintech deposit ratio during the liquidity event as requested by the FRB.
2	Determine if earnings performance enables the BHC to fund its growth, remain competitive in the marketplace, and support its overall risk profile. Consider the level and trend of equity capital to total assets as well as asset and equity growth rates. ○ Review the current level of the provision for loan and lease losses. ○ Review whether the bank is relying on core earnings or income from non-recurring events. ○ Determine if dividends are excessive when compared to current earnings or potential capital needs, or could otherwise result in a material adverse change to the organization’s capital structure.	Pass	• Non-Performing Asset to Total Asset ratio has remained low, averaging 0.03% in YTD 2022 and 0.05% in full year 2021. • The Holding Co. has remained profitable through core earnings through Q3 2022 as the Bank executes its business plan and generates income through its various services. • However, due to the Contingency Funding event in November 2022, the Bank has incurred additional, non-recurring expenses in response to the liquidity event.
3	Determine the effect of current capital levels on the future viability of the BHC and its subsidiary depository institutions. ○ Assess management's ability to reverse deteriorating trends and to augment capital through earnings. ○ Assess the ability of the BHC to raise capital from existing shareholders, issue new capital instruments, or access alternative sources of capital. ○ Assess the reasonableness of capital plans.	Pass	Management has projected that Holding Co and Bank capital levels remain above regulatory minimums through 2023.
4	Dividends in Cash or Other Value • Determine whether the BHC has a comprehensive dividend policy at the holding company and for each of its subsidiaries that help it in its capital planning processes. • Assess whether provisions contained in the policies and practices conform to the guidance outlined in the Federal Reserve Board’s 1985 dividend policy statement. • Determine whether, and if so, how, the BHC has changed in any way its dividend policy to accommodate the current economic environment. • Assess whether dividends in cash or other value are consistent with the BHC’s current and prospective capital needs, including likely future reserve increases and asset write-downs, as well as the feasibility in the near term of the BHC raising additional capital in the market.	Pass	The Holding Co. has a dividend policy in place within its Capital Adequacy Policy. Capital ratios are calculated monthly and presented to management. As of December 2022, all capital ratios exceed the minimum policies proposed framework. The proposed aggregate dividend and interest payments of ~$3.2M will be a modest reduction of the cash and capital position of SCC.

Attachment 9: SR09-4 “Attachment B” Compliance Analysis

	SR09-4 Attachment B	Compliance	Comments
1	As a matter of prudent banking, therefore, the Board believes that a bank or bank holding company generally should not maintain its existing rate of cash dividends on common stock unless (1) the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends and (2) the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality, and overall financial condition.	**N/A**	N/A – Request is for payment of preferred stock
2	The Board also believes it is inappropriate for a banking organization that is experiencing serious financial problems or that has inadequate capital to borrow in order to pay dividends since this can result in increased leverage at the very time the organization needs to reduce its debt or increase its capital.	**Pass**	The dividend payments are well covered by current and projected cash levels and we believe the Holding Co. will continue to be well capitalized under federal banking regulations.
3	Similarly, the payment of dividends based solely or largely upon gains resulting from unusual or nonrecurring events, such as the sale of the organization's building or the disposition of other assets, may not be prudent or warranted, especially if the funds derived from such transactions could be better employed to strengthen the organization's financial resources.	**Pass**	The Holding Co. has remained profitable through core earnings, which are recurring, through Q3 2022 and is projected to return to profitability in the second half of 2023.

Attachment 9: SR09-4 “Attachment C” Compliance Analysis

	SR09-4 Attachment C Criteria	Compliance	Comments
1	Has net income available to common shareholders over the past year sufficient to fully fund the dividend (and previous dividends over the past four quarters)	**N/A**	N/A – Request is for payment of preferred stock
2	Is not considering making stock repurchases / redemptions in the current quarter	**Pass**	The Holding Co. does not include stock repurchases / stock redemptions in its current capital plan
3	Does not have concentrations in commercial real estate lending that exceed the thresholds described in SR 07-1 “Interagency Guidance on Concentrations in Commercial Real Estate”	**Pass**	The Holding Co. does not have any loans association with construction, land development, or any other land. Total commercial real estate loans totaled $62.6M, which is 7.63% of total capital as of 12/31/2022.
4	Is in good supervisory condition, as generally indicated by a) overall condition: current capital and asset quality subcomponents ratings under the RFI rating system of 1 or 2, and b) asset quality risk: a ratio of (restructured loans + noncurrent loans + other real estate owned) / tier 1 capital + reserves) < 25% for the current reporting period	**Pass**	Capital Adequacy: In prior periods, Holding Co. has consistently exceeded all regulatory capital ratios above “Well Capitalized” and is projected to remain above regulatory minimums in 2023. Rating 2-limited likelihood of significant negative impact Asset Quality: 0.14% as of 12/31/2022, well below the 25% threshold. Rating 2-limited likelihood of significant negative impact

Attachment 9 –Responses to MOU5

Capital Conservation

The Company and the Bank shall no declare or pay dividends, engage in share repurchases, or make any other capital distribution in respect of common shares, preferred shares, or other capital instruments, without the prior written approval of the Department and the Reserve Bank. All requests for prior approval shall be received in writing at least thirty (30) days prior to the earlier of the proposed declaration, payment, or distribution date, or requirement notice of deferral and shall contain, and will contain but not limited to:

	MOU	Compliance	Comments
a)	The purpose of the proposed dividend, repurchase, or distribution	Pass	Purpose of proposed dividends is to pay SI Series A preferred dividends and on Trust Preferred instruments issued by the Holding Co.
b)	Identification of the source(s) of funds for the proposed dividend, payment, or distribution	Pass	Silvergate Capital Corporation has cash position of $47 million on December 31, 2022. These payments will come out of SCC cash and will not affect capital position of Hold Co or Bank. If needed, SCC can downstream cash to the Bank to improve capital levels.
c)	Information on consolidated earnings for the most recent annual and interim periods	Pass	See attachment 3 – SCC Income Statement. Provide consolidated earnings reports for the required periods
d)	Current and projected information on cash flow, the Bank's capital levels, asset quality, and allowance for loan and lease losses, and	Pass	The requested information can be found: • Cash flow: see Attachment 7, "SCC Hold Co Monthly Cash Flow Forecast" • Bank capital levels: see Attachment 1, "Capital Ratios" • Asset quality and ALLL: see Attachment 3, "Loan Loss Reserve"

Attachment 9 –Responses to MOU5

	MOU *(continued)*	Compliance	Comments
e)	Confirmation that the proposed dividend, buyback, payment, or distribution:		
	i. Is covered by the Company's or the Banks operating earnings.	Exception due to contingency funding liquidity event	Holding Co. acknowledge that the losses incurred by the Company during the last two months of 2022 will put it in a net loss position for both the fourth quarter of 2022 and the full year. The Holding Co. has remained profitable through core earnings through Q3 2022. However, due to the Contingency Funding event in November 2022, the Bank has incurred non-reoccurring securities loss in response to the liquidity event. We believe that a prohibition of any of these payments would unduly, and perhaps irreparably, damage our going concern status in the eyes of not only these direct counterparties but the many other businesses with which we will need to deal to stabilize and regrow our business and restore it to sustainable profitability.
	ii. Conforms to the Company's and the Bank's dividend policy; and	Exception due to contingency funding liquidity event	
	iii. Is consistent with the Board of Governors' Policy statement regarding the payment of cash dividends by bank holding companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323), and with the Board of Governors' Supervisory Letter 09-4 on Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies, as revised on March 27, 2009.	Exception due to contingency funding liquidity event	

Attachment 9 –Responses to MOU5

Capital Adequacy Policy (3.5 Dividends)

In determining whether, when, and in what amounts SCC may pay dividends or approve stock redemptions or repurchases, the Board shall consider the following factors:

	Silvergate Policy	Compliance	Comments
1	Overall asset quality, potential needs to increase reserves and/or write down assets, and concentrations of credit		The Bank has historically low non-performing asset ratio to total assets. In Q4, the Bank exited warehouse lending and is focused on its Bitcoin collateralized lending product, which has an LTV of 45.1% as of 12/31/2022.
2	Potential for unanticipated losses and declines in asset values		Management has prepared a 2023 capital projection, which estimates that Holding Co. will maintain its capital ratios above minimum regulatory minimums.
3	Implicit and explicit liquidity and credit commitments, including off balance sheet and contingent liabilities		Managers keep close communication with major clients who have open lines of credits with the Bank to gain timely information of any potential large draws against the lines of credit.
4	Quality and level of current and prospective earnings, including earnings capacity under a number of plausible economic scenarios		SCC is currently in transition of its business plan going forward as it works to rectify the current liquidity event. SCC's financial projections for 2023 show continued losses in Q1 and Q2 2023 before returning to profitability in Q3 and Q4 of 2023. The losses in Q1 and Q2 are created by continued selling of securities and realizing losses upon sales.
5	Current and prospective cash flow and liquidity		The source of funds for the proposed dividend and interest payment is cash held at Silvergate Capital Corp (Holding Company). At 12/31/22, SCC cash position was $47 million. As the payments will come out of Hold Co cash, the proposed dividend and interest payment will not affect capital position of Hold Co or Bank.
6	Ability to serve as an ongoing source of financial strength to the Bank, including the extent of double leverage and the condition of the Bank		As management continues to transition the business plan, the Holding Co. is projected to maintain adequate capital and liquidity in order to serve as a source of financial strength.
7	Other risks that affect the SCC's financial condition and are not fully captured in regulatory capital calculations		During the business plan transition in response to the liquidity event, executive management and related departmental managers continue to analyze any additional risks that would impact SCC's financial condition.
8	Level, composition, and quality of capital		SCC capital ratios are projected to remain above regulatory minimums throughout 2023.
9	Ability to raise additional equity capital in prevailing market and economic conditions		As the Holding Co. works through to rectify the liquidity event and incur non-recurring costs associated with the event, it may be difficult to raise additional equity capital in the prevailing market. However, financial projections show SCC returning to profitability in Q3 and Q4 of 2023.
10	Any such additional factors the Board may deem appropriate in administering this Policy		The Bank is currently in a stressed liquidity position and is working closely with the FRB and FHLB to resolve the liquidity event. The Bank has met regulatory requirements stemming from the liquidity event. Through its actions, Silvergate has shown the ability to maintain adequate liquidity and capital levels through the sale of more than $6.6B of bonds, absorbing ~$897M of realized losses from the bond sales, while able to maintain a 1:1 cash to fintech deposit ratio during the liquidity event as requested by the FRB.

Attachment 9 –Responses to MOU5

Capital Adequacy Policy (3.5 Dividends)

In addition to the requirements set forth above, the Board should inform the Federal Reserve Bank of San Francisco ("FRBSF") and should eliminate, defer, or significantly reduce a prospective dividend payment if:

	Silvergate Policy *(continued)*	Compliance	Comments
1	SCC's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividend	**N/A**	N/A – Request is for payment of preferred stock
2	SCC's prospective rate of earnings retention is not consistent with the SCC's capital needs and overall current and prospective financial condition	Exception due to contingency funding liquidity event	Holding Co. acknowledge that the losses incurred by the Company during the last two months of 2022 will put it in a net loss position for both the fourth quarter of 2022 and the full year. The Holding Co. has remained profitable through core earnings through Q3 2022. However, due to the Contingency Funding event in November 2022, the Bank has incurred non-reoccurring securities loss in response to the liquidity event.
3	SCC will not meet, or is in danger of not meeting, the minimum target capital ratios set forth in this Policy	**Pass**	Management has prepared a Q4 and 2023 capital projection, which estimates that Holding Co. will maintain its capital ratios above minimum regulatory minimums.